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UNCLAS BAGHDAD 004335

SIPDIS

SENSITIVE

E.O. 12958: N/A

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SUBJECT: IRAQ FUEL PRICES - A SNAPSHOT

REF: A. BAGHDAD 4322 B. BAGHDAD 3988

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1. (SBU) SUMMARY: Black market prices are far outstripping the modest GOI efforts at price reform. "Unofficial" price rises for gasoline begun in September (Ref B) have spread to Basrah, Kirkuk and Mosul. END SUMMARY.

BLACK-MARKET PRICES

2. (SBU) Fuel shortages are having a direct impact on black market prices for gasoline, particularly in Iraq's northern provinces where the fuel situation has become serious (ref A and septel). An informal price survey carried out by Regional Embassy Offices (REOs) and State Embedded Teams (SETs) around Iraq showed the following prices as of October 18 (\$1.00 equals 1470 Iraqi dinar):

Baghdad	\$0.89/gallon
Basrah	\$0.76/gallon
Kirkuk	\$1.26/gallon
Tikrit	\$0.63/gallon
Najaf	\$1.77/gallon
Mosul	\$2.53/gallon

PRICES REPORTED RISING AT GAS STATIONS

3. (SBU) The "unofficial" price rise from \$.05 to \$.13/gallon for regular octane gasoline that went into effect in Baghdad in mid-September (Ref B) has been introduced in government-owned gas stations in Kirkuk and Mosul, according to reports from the REOs there. Basrah reported prices as high as \$.15/gallon. Reports from smaller cities continue the old price or \$.05/gallon at service stations.

4. (SBU) Private stations and, to a lesser extent, state-owned stations, reportedly apply government prices sporadically. For example, the practice at service stations, both government and privately-owned, is generally that the price of fuel is open to negotiation for amounts above the 50 liter/customer limit. The rise to \$.13/gallon appears to be as much an acknowledgement of that reality as it is true price reform. It is unclear how much of the increase actually makes it to the government's coffers. Any amount exceeding the government's new price ceiling is certainly going into the station-owner's pocket.

Satterfield